



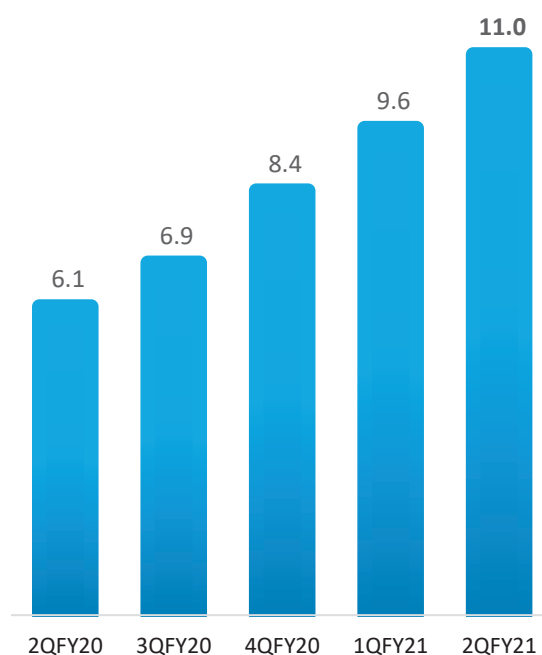
Solid momentum across the business

20 July 2021: Global cloud backup and archiving software provider Dropsuite Limited (ASX: DSE) ("Dropsuite" or the "Company") is pleased to provide an overview of the Q2 results and Appendix 4C for the period ending 30 June 2021.

Highlights

- > **Annual Recurring Revenue (ARR¹¹)** of \$11.03m, a 15% increase on the prior quarter and 82% increase on previous corresponding period (pcp) on a constant currency basis
- > **Users** increased to 518k up 10% quarter on quarter and 51% on pcp
- > **Monthly ARPU** of \$1.77 up 5% quarter on quarter on a constant currency basis
- > **Normalised Cash used in Operations²** decreased 87% quarter on quarter to (\$0.02m)
- > DSE ended the quarter with a stable cash balance of **\$2.40m** (\$2.44m March 2021)
- > Expanding product offering and continued growth in key metrics moving DSE towards profitability and cashflow breakeven

Annual Recurring Revenue (\$M)



Charif El Ansari CEO of Dropsuite stated: "Dropsuite exists to safeguard businesses' information and keep them operational in the face of growing challenges be it ransomware, cyber-attacks or compliance requirements. We are working to expand our business and continue to drive organic growth and complimentary expansion opportunities. This focus has ensured that we are able to continue to deliver solid growth quarter on quarter with a 5% increase in ARPU over the quarter and an increase of 15% to \$11 million in our Annual Recurring Revenue.

"We have seen ongoing demand for our product and surpassed 500k users, reflecting the continued focus on expanding our product base to address growing customer requirements. Our ongoing commitment to provide an exceptional service experience for our partners and end users was once more recognised having been awarded the highest ranking from Info-Tech Research Group for the second year running. We are incredibly proud of this achievement and the recognition it bestows on our team from our partners and end users."

1. Annualised Recurring Revenue (ARR) is defined as the value of the contracted recurring revenue multiplied by 12 months

2. Cash receipts are normalised in order to capture delayed or early receipt of material customer payments around each quarter end. Actual (Non-Normalised) Cash Used in Operations are (\$0.02m) with Cash at Bank at end of June of \$2.40m

Operational and Product Overview

Over the past quarter, Dropsuite has continued to deliver solid growth across all key metrics. The Company remains well positioned within the backup and archiving sector with a strong industry reputation and quality products.

Dropsuite was once more awarded the highest rank in the 2021 Email Backup Solutions Data Quadrant Report from Info-Tech Research Group's SoftwareReviews for the second year running. This reflects the dedication of the business to providing the best end user experience and focused investment on the user interface and product development.

Info-Tech's Data Quadrant Report is based on feedback from IT and business professional product users. Dropsuite received a composite score of 9.3/10, which is the average score of the following four categories: Vendor Capabilities, Product Features, Emotional Footprint, and Likeliness to Recommend. In addition to the highest composite score, Dropsuite came in first place in Likeliness to Recommend at 97% and Plan to Renew at a perfect 100%.

Additionally, over the quarter, Dropsuite incorporated Google Workspace Backup into its product offering. Coupled with its new partner portal these offerings expand on Dropsuite's ability to better service its partners and end users. Dropsuite continues to enhance the product coverage and focus on streamlining and simplifying the user interface to provide a better experience for its end users.

There remains a significant opportunity for future growth. Dropsuite is positioned with over 500k users across over 100 countries with investment in localised support across 13 locations in key regions. In addition, Dropsuite retains a solid and motivated sales team who continue to actively engage with current and new partners. Over the quarter Dropsuite onboarded 19 new transacting partners and will be working on further integration during the coming quarters. This resulted in 354 direct transacting partners with low annual partner revenue churn of ~3%. Total revenue from Dropsuite's top 10 partners equates to 68%, flat on the prior quarter and down from 71% pcp and continues to trend lower as the Company focuses on expanding and diversifying its partner base.

Financial Overview

Dropsuite continues to deliver growth in key metrics with ARR and ARPU growing at 82% and 20% respectively on pcp, and 15% and 5% on the prior quarter on a constant currency basis. ARR increased to \$11.03 million, up from \$9.56 million in the prior quarter, and ARPU improvements continued to \$1.77, up 6% quarter on quarter and up 5% on a constant currency basis.

Actual F/X	Jun 20	Mar 21	Jun 21	QonQ	PCP
ARR (\$m) – AUD	6.74	9.56	11.03	15%	64%
ARR (\$m) – USD	4.63	7.31	8.42	15%	82%
Monthly ARPU (\$m) -AUD	1.64	1.68	1.77	6%	8%
Monthly ARPU (\$m) – USD	1.13	1.29	1.35	5%	20%
FX AUD:USD	0.69	0.77	0.76		

Normalised net cash used in operations decreased at (\$0.02) million. Cash on hand for the group is \$2.40 million and remains on target for imminent cashflow breakeven, along with continued investment in our products, marketing initiatives and our team.

Cash Summary (\$m)	Jun 20	Mar 21	Jun 21	QonQ	PCP
Cash receipts	1.46	2.29	2.40	5%	65%
<i>Normalised cash receipts</i>	<i>1.59</i>	<i>2.16</i>	<i>2.40</i>	<i>11%</i>	<i>51%</i>
Net cash used in operations	(0.64)	(0.04)	(0.02)	(44%)	(97%)
<i>Normalised net cash used in operations</i>	<i>(0.50)</i>	<i>(0.17)</i>	<i>(0.02)</i>	<i>(87%)</i>	<i>(96%)</i>
Cash at hand	3.02	2.44	2.40	(2%)	(20%)

Cash receipts from customers increased 5% on the prior quarter to \$2.40 million (Q1 2021: \$2.29 million) and up 65% on pcp (Q2 2020: \$1.46 million). Normalised cash receipts were \$2.40 million, an 11% increase on the prior quarter and up 51% on pcp (Q2 2020: \$1.59 million).

Dropsuite maintained the gross margin achieved in prior quarters, achieving 67% gross margin at 30 June 2021 (Q1 2021: 67%), with a decline versus pcp (Q2 2020: 69%) mainly driven by expanding server and storage capacity in new data centres.

Corporate Update

On 1 June 2021, the Company announced the issuance of 1,000,000 performance rights issued to Charif Elansari upon shareholder approval of resolution 5 in the Annual General Meeting on 26 May 2021.

Payments to Related Parties

The Company has reported expenditure of \$135k for salaries and director fees to related parties.

Outlook

Dropsuite has been executing on a sound strategy and is well positioned for the future. As it moves towards profitability and positive cash flow generation in the second half of calendar year 2021, Dropsuite will continue reinvesting in growth by further growing its talent, expanding its product offering and diversifying the partner base over the course of 2021 and beyond.

The Company has built a trusted brand for its partners and expects strong tailwinds from a structurally growing market for cybersecurity, data privacy regulation, and the mass migration of email services to the cloud.

Quarterly Investor Webinar

The Company will provide an investor webinar to discuss the quarterly results. To register please follow the link below.

Date: Thursday 22nd July 2021

Time: 11:30am AEST

Registration Link: <https://us02web.zoom.us/j/85878833545>

The announcement was approved by the Board of Directors.

- END -

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Corporate

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About Dropsuite

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information. Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally. For more information please visit: www.dropsuite.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Dropsuite Limited

ABN

91 008 021 118

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,404	4,690
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(860)	(1,641)
(c) advertising and marketing	(93)	(141)
(d) leased assets		
(e) staff costs	(1,207)	(2,370)
(f) administration and corporate costs	(266)	(601)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(21)	(60)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(17)	(17)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(17)	(17)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,443	2,482
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(21)	(60)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(17)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	2,404	2,404

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,404	843
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	1,000	1,600
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,404	2,443

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	135
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(21)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,404
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	2,404
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	112.64
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 July 2021

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.